

Gross receipts are defined as all the consideration actually received by the seller, except traded-in tangible personal property. See 86 Ill. Adm. Code 130.425. (This is a GIL).

September 22, 1999

Dear Mr. Xxxxx:

This letter is in response to your letter dated August 30, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

I am a CPA in Northern Illinois. I recently called the Illinois Department of Revenue help line with a question regarding trade-ins of merchandise other than automobiles for sales tax purposes and was faxed the attached information. I wish to verify that my understanding of this information is correct.

I have a retail client who takes trade-ins of like-kind merchandise (not automobiles). Their prior accountant told them that they should calculate the sales tax on the retail value of the new merchandise without regard to the trade-in. My understanding of the attached sections is that the sales tax would be calculated on the selling price less the trade-in value.

Please send any correspondence to my attention at the following address:

...

I appreciate your assistance in this matter.

In Illinois, gross receipts received from a retail sale are subject to Retailers' Occupation Tax. Gross receipts are defined as all the consideration actually received by the seller, except traded-in tangible personal property. See the enclosed copy of 86 Ill. Adm. Code 130.425. If a customer provides tangible personal property of like kind and character as a trade-in, the taxable gross receipts will be reduced by the amount of value or credit given for the traded-in property. This rule is not limited to automobiles. It applies to all traded-in tangible personal property of like kind and character as that which is being purchased. For example, if your client sells a rifle to Customer Smith for \$500 and gives Customer Smith a \$200 trade-in allowance on an old shotgun, the sales tax calculation is made on the \$300 balance.

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I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk
Enc.